

MONTANA

Department of Commerce

MONTANA BOARD OF HOUSING

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MONTANA BOARD OF HOUSING
Salish & Kootenai Housing Authority
553355 Highway 93, Pablo MT 59855
June 2, 2008

ROLL CALL OF BOARD

MEMBERS:

J.P. Crowley, Chairman (Present)
Betsy Scanlin, Vice Chairman (Present)
Susan Moyer, Secretary (Present)
Audrey Black Eagle (Excused)
Bob Gauthier (Present)
Jeanette McKee (Present)
Jeff Rupp (Excused)

STAFF:

Bruce Brensdal, Executive Director
Mat Rude, Multifamily Program Manager
Nancy Leifer, Homeownership Program Manager
Gerald Watne, Multifamily Program
Vicki Bauer, Accountant
Penny Cope, Marketing & Web Specialist
Paula Loving, Administrative Assistant

COUNSEL:

Pat Melby, Luxan and Murfitt

UNDERWRITERS:

OTHERS:

Jason Adams, Salish & Kootenai Housing Authority
Maureen Rude, NeighborWorks Mt
Mina Choo, UBS
Bob Simonson, RBC
Peter Nolden, UBS
Nathan Richmond, Summit Housing Group, Inc.
Dan Rosen, Merrill Lynch
Andrea Davis, Missoula Housing Authority
Lori Davidson, Missoula Housing Authority
Frank Fallon, RBC
Thomas Fleming, Gauthier Agency, LLC
Ron Trahan, Triple R Investments
Brenda Dennis, Community Bank
Martin Olsson, Eagle Bank
Mike McKee, Eagle Bank – Former MBOH Board Member
Betsy Hands, homeWORD
Sheila Rice, MHN
Al Hans, Piper Jaffray
Nicole Antione, Salish & Kootenai Housing Authority
Rocki Davis, Salish & Kootenai Housing Authority

CALL MEETING TO ORDER

Chairman, J. P. Crowley, called the meeting to order at 8:35 a.m. He asked the Board, staff, and guests to introduce themselves.

Chairman Crowley presented gifts to Jason Adams, Salish & Kootenai Housing Authority, in appreciation for the invitation to hold the Board meeting. Jason gave an update on the Salish & Kootenai Housing Authority which serves the entire tribe. The staff of 65 provides various programs for the tribe. They have approximately 600 units under their management. They have expanded their homeownership opportunities over the last couple of years. They have been really successful in educating individuals in the homeownership process. They graduated about 110 people in their homeownership education program last year and these people are moving on to mortgages.

APPROVAL OF MINUTES

Betsy Scanlin moved to approve the May 5, 2008 Board meeting minutes. Susan Moyer seconded the motion. The Chairman asked for comments. The motion passed unanimously.

Betsy Hands, homeWORD, thanked the Board for the Montana Tax Credit they received last spring. They closed on Friday, May 30, 2008. They were very excited because they were able to close with a \$.97 pricing. With the market conditions, they are very grateful for allowing homeWORD to maintain the units. Betsy voiced concerned regarding the pricing changes and the Board's ability to recognize the difficulty for developers to meet the needs with constructions costs and the Tax Credits prices dropping. Betsy extended an open invitation to visit Missoula and see the construction as a result from the Tax Credit.

Martin Olsson, Eagle Bank, extended an invitation to visit Eagle Bank and enjoy the lunch provided.

Sheila Rice provided the Board with the "NeighborWorks Montana – 10 Years" brochure. She expressed the gratitude to the Board for all the support over the years.

ACCOUNTING

Bruce Brensdal introduced Peter Nolden of UBS. Peter reported that on May 5, 2008, UBS decided it would either sell the mutual security group, which includes Peter and Nina Choo's positions, or they are going annex their municipal bonds for several reasons, including the subprime loan market. A decision was expected by the end of first week of June. Jeanette asked how this would affect the MBOH and its bond issuance. Bruce clarified that MBOH is not issuing bonds at current. We have determined that MBOH is not subject to the state's procurement rules as identified in the underwriting. This allows the MBOH flexibility on what it can do for bond issuance. If it is determined that a bond issuance is necessary, the MBOH can act very quickly. Nina confirmed that during this time, UBS is working under the "business as usual" so the MBOH can issue bonds at any time.

Peter provided a report showing the 30 Year Treasury Bond verses Single Family 30 Year. The report shows rates are comparable until August 2007. At this time Single Family 30 Year rate continued to increase as the 30 Year Treasury Bond decreased.

Bruce provided the summary of the quarterly reports and the investment report. The investment report shows the number of investments managed by the MBOH accounting staff. Bruce gave the Single Family I and II Indenture summary. These reports provide the Board with a look of what the indentures are doing.

MULTIFAMILY PROGRAM

Mat Rude provided the Multifamily Program update, including the Second Round Low Income Housing Tax Credits. A balance of \$16,550.00 remained after the first round of Tax Credits. After the last Board meeting, MBOH opened the funding and Makoshika Estates applied for this money. No other applications were received. They were funded last year and sought out HOME dollars and needed the extra \$16,550.00 to offset construction costs. This is a Senior Project in Glendive. Betsy Scanlin moved to award Makoshika Estates with \$16,550.00 in Low Income Housing Tax Credits. Susan Moyer seconded the motion. The Chairman asked for comments. The motion passed unanimously.

Mat reviewed the 2009 Qualified Allocation Plan (QAP), noting the biggest issue is the targeting of 30 and 40% units. The market has changed drastically as far as tax credits and we are not getting the mid-ninety cent tax credits. The market is down to low eighties. This is creating less cash flow for the 30 and 40% rents.

Lori Davidson, Interim Director for Missoula Housing Authority, pointed out the Section 8 Voucher Program requires that 75% of new admissions be at 30% of area median incomes or below. In the Public Housing Authority's Program, it is required that 40% of all new admissions be at 30% or below. It is very difficult with the current tax credit market to make a project with 30% income cap work.

Andrea Davis, Missoula Housing Authority, stated the 30% tax incentive is something they need, however the reality of creating a LIHTC project that is dependent upon market forces is difficult. From the time they were out getting Tax Credit on May 5, 2008, they were doing due diligence with their investors and within ten days the commitment of \$.95 went down to \$.91. They now have a \$360,000 gap in their project. There are no state or municipal funds to bridge this gap. This will affect the breaking of ground in October of this year. Underwriting on the investment side are tightening their requirements that they are not allowing additional debt. She stated if they were to eliminate the 30%, they would be able to generate \$160,000. Andrea strongly encourages the Board to not include granting of points for housing the 30% AMI segment of the community within the 2009 QAP.

Bruce stated that the 30% units are not mandatory, but are voluntary. Bob Gauthier stated the Tax Credit Program is not the solution. Mat confirmed several years ago the market allowed for the 30%, however, with the markets dropping back into the \$.80 range, the 30% become less feasible.

Andrea inquired about how Montana is going to address this issue in the coming years, stating Montana is already far behind other states in this area and if a plan is not developed for the future, it will limit the number of investors coming into Montana. The need for funds for projects after they are rented to help with the management of these ongoing projects is essential. The next two years are critical for Montana in order to keep the Montana developers going.

Pat Melby stated the Board rules if the elimination of the 30% income level was adopted, the Board may give credit in scoring for any applicant who includes the 30% income level.

Gerald Watne mentioned to the Board these programs work diligently to keep rents as low as possible even though these tax credits are reducing. Gerald cited the recent Hamilton project was slated for 50 to 60% income level; however, they have managed to keep rent between \$100 – 200 below the market value, reflecting a 30% income level.

Susan Moyer motioned for the 2009 Qualified Allocation Plan with current changes to go to public comment and conduct a public hearing July 11, 2008 before the next Board meeting. Jeannette McKee seconded the motion. Chairman Crowley asked for comments. Bob Gauthier briefly discussed the developer experience within the Tax Credit program and how does one obtain the knowledge to qualify for the plan. Mat Rude clarified the point system with the scoring of application. The motion passed unanimously.

Nancy Leifer reviewed the commitment of monies for the fund groups. Nancy explained the status of the Special Program Funds including the 112 Special Reserves – homeowner down payment, the Lender Pool – revolving capital, Manhattan Employee Program – short-term capital, Montana House, the Gap Financing Program – assistance for non-profit programs to secure funds, the Board created fund to help out the borrowers with the \$1,000 insurance deductible, the usage during funds before going out for bond sale and to bridge funds between bond issuances, and the Reverse Annuity Mortgage Program (RAM).

Mat discussed the RAM Program and the services provided as compared to the HECM loans. Mat requested \$1.5 million fund allocation to the RAM Program. Betsy Scanlin inquired about parameters for the RAM program. Mat recommended the lump sum payments be limited to \$10,000. Bob Gauthier motioned to allocate \$1.5 million to the Reverse Annuity Mortgage Program with the lump sum limit be set at \$10,000 with flexibility to exceed this limit upon Board approval. Jeannette McKee seconded. The Chairman asked for comments. The motion passed unanimously.

HOMEOWNERSHIP PROGRAM

Nancy Leifer introduced Brenda Dennis of Community Bank who requested a HUD 184 reservation for seven borrowers who are unable to purchase manufacture homes due to the secondary markets tightening their criteria for purchase of homes. Countrywide requires the final Title Status Report (TSR) before it will purchase a loan. The process for obtaining a TSR takes more time than the interest rate lock. Discussion followed regarding the specific income levels of the seven borrowers with no details available. Betsy Scanlin expressed her concern regarding the specific details of the seven borrowers, including income status and policy definition for this possible new program. Betsy stated that MBOH's mission should not be to fix the shortcoming of this particular Federal law. Susan Moyer concurred with Betsy. Betsy motioned for the staff to better define the current problems with the current markets on the tribal lands and recommend how MBOH can possibly help with adjustment of the income limits. Bob Gauthier seconded the motion. Chairman Crowley asked for comments. The motion passed unanimously. No decision made on request for the current request for the seven borrowers.

Nancy gave a general overview of current Loan-To-Value of the MBOH's portfolio. The Loan-To-Value current for a general bond group active loans is approximately 96.1%. This is not a detailed report showing each loan's Loan-To-Value. Based on this report approximately 9% of these loans are currently at or above 95% Loan-To-Value.

Nancy provided the Set-aside Summary for the Board's review.

Nancy gave an update on the Bond Issuance. MBOH has committed approximately \$6 million in funds. This is out of the \$17 million identified to be used. The FHA rate is currently being used due to the 97% Loan-To-Value Loan. This rate has been holding steady at about 5.875%.

Nancy gave an update on the Homeownership Program. Nancy traveled across the State with Maureen Rude, Elmer Helbig and Tricia Storm. We discussed why the MBOH is not issuing bonds at present. In addition, we explained why MBOH is moving towards the Mortgage-Backed Revenue Bond program (MBS) and the cost to the MBOH. We provided details of the MBS program. We had about 270 people attend across the State and 2/3 of them were lenders. After the MBS education, the support to MBOH in this process is positive. Once contracts are final and processes are completed, we will provide further training. This will allow for the MBS program to be implemented at the time of our next bond issue. The cities visited were Great Falls, Missoula, Helena, Kalispell, Miles City and Billings.

Nancy recommended MBOH to lower the Lending Fees on FHA and VA loans. Approval was given to reduce the origination fee for lenders on Rural Development and conventional loans for the MBS program. Susan Moyer moved MBOH reduce the origination fee paid to lenders on

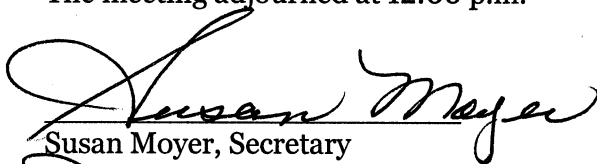
Nancy provided an outline of Statewide Homebuyer Education Provision Plan. An analysis needs to be completed before it is determined the resources necessary to implement an appropriate level of homebuyer education to all recipients of MBOH loans. This analysis will also be included within the next HUD grant application.

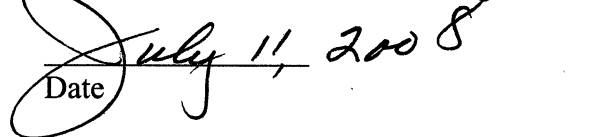
EXECUTIVE DIRECTOR

Bruce Brensdaal provided an update on the May 29, 2008 White Paper Meeting. Approximately 40 people attended this meeting and participated in discussion of the current and future housing situations. From this discussion, the goal is to seek out opportunities to improve the housing outlook for the future. Betsy Hands express gratitude to the MBOH for creating the White Paper as it really points out the actual issues within Montana. Bruce thanked Penny Cope, Gus Byrom, Nancy Leifer, Susan Ockert and Leslie Edgcomb for their efforts in developing the White Paper.

The next Board meeting is July 11, 2008 in Missoula. A Public Hearing for the 2009 Qualified Allocation Plan will be held prior to the Board meeting. A HUD 184 Program training session will follow the Board meeting.

The meeting adjourned at 12:00 p.m.


Susan Moyer, Secretary


Date